

Message Text

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ACTION IO-13

INFO OCT-01 ADP-00 OMB-01 ABF-01 TRSE-00 AF-10 ARA-11

EA-11 EUR-25 NEA-10 RSC-01 SS-15 NSC-10 ACDA-19

CIAE-00 INR-10 L-03 NSAE-00 SCI-06 GAC-01 SCEM-02

INRE-00 IOE-00 RSR-01 /151 W
----- 025567

P R 100916 Z APR 73

FM USMISSION IAEA VIENNA

TO SECSTATE WASHDC PRIORITY 2697

INFO AEC GERMANTOWN

LIMITED OFFICIAL USE SECTION 1 OF 2 VIENNA 2896

E. O. 11652: N/A

TAGS: AORG AFIN IAEA

SUBJECT: IAEA CASH LIQUIDITY SITUATION - 1973 - 74

REF: A. IAEA VIENNA 1223

B. IAEA VIENNA A-461, JUNE 29, 1972

1. SUMMARY: ANALYSIS OF 1972 CASH FLOW EXPERIENCE AND PROJECTED 1973-74 CASH SITUATION IN IAEA ADMINISTRATIVE AND WORKING CAPITAL FUNDS HAS LED TO CONCLUSION THAT INCREASE IN WCR OVER \$2 MILLION LEVEL SET LAST YEAR WILL NOT RPT NOT BE REQUIRED IF AND ONLY RPT ONLY IF ALL MEMBERS PAY ASSESSED CONTRIBUTIONS FOR 1973 ON SCHEDULE PREVIOUSLY PLEDGED AND ARE ABLE TO CONTINUE AT LEAST SAME SCHEDULE IN 1974. ACTION REQUESTED: NONE. END SUMMARY.

2. MISSION HAS RECEIVED DRAFT TABLES COVERING ACTUAL 1972 IAEA CASH FLOW EXPERIENCE AND PROJECTED MONTH- BY - MONTH 1973-74 SITUATION IN ADMINISTRATIVE AND WORKING CAPITAL FUNDS (COPIES AIRMAILED KENT, IO/ SCT AND SOUTHWORTH, IO/ UN/ BAPS). EARLIER FEELING OF SECRETARIAT WAS THAT INCREASE IN WCF WOULD BE REQUIRED TO PREVENT AGENCY FROM RUNNING OUT OF CASH. RESULTS THIS STUDY LEAD TO OPPOSITE CONCLUSION.
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3. STUDY ASSUMPTIONS AS FOLLOWS:

A. PROJECTED LEVEL OF EXPENDITURES FOR 1973-74 ASSUMES

APPROVAL OF SUPPLEMENTAL APPROPRIATION OF \$1.3- MILLION FOR 1973 AND ADDITIONAL APPROPRIATION SECTION 9 IN 1974 OF \$2.1- MILLION TO ACCOUNT FOR CURRENCY REALIGNMENTS (SEE SEPTELS).

B. SUPPLEMENTARY ASSESSMENT FOR 1973 WILL BE \$1.25 MILLION PAYABLE IN OCTOBER, WITH PAYMENT OF AT LEAST \$180,000 BEFORE END OF 1973 AND LARGEST PART OF REMAINING BALANCE (EXCEPT FOR US SHARE) DURING FIRST HALF OF 1974.

C. ALL MEMBERS WHO PLEDGED LAST YEAR AS TO SPECIFIC TIMING OF PAYMENTS IN 1973 WILL KEEP TO SCHEDULE PLEDGED. (FYI: TO DATE, EXCEPT FOR MINOR PROBLEM OF PAYMENT ON LAST DAY OF MONTH WITH LAPSE OF FEW DAYS BEFORE AGENCY NOTIFIED OF DEPOSIT, ALL MEMBERS HAVE GENERALLY LIVED UP TO SCHEDULE PLEDGED. END FYI)

D. SOME MEMBERS WILL PAY ON AT LEAST SAME SCHEDULE DURING 1974, AND MOST OTHER MEMBERS WHO HAVE NOT MADE SPECIFIC PLEDGE AS TO PAYMENT SCHEDULE WILL PAY IN BOTH YEARS NOT LATER THAN THEY ACTUALLY PAID IN 1972.

E. MEMBERS NOW IN ARREARS ON PAYMENT OF 1972 AND PRIOR ASSESSED CONTRIBUTIONS WILL PAY AT SOMEWHAT GREATER RATE THAN HAS BEEN NORMAL IN PAST. (FYI: LA' S ARE MAJOR SHARE OF THIS AMOUNT, WITH BRAZIL AND VENEZUELA TOGETHER ACCOUNTING FOR IN EXCESS OF \$200,000. MISSIONS OF BOTH COUNTRIES HAVE INDICATED THAT THEY WILL STRONGLY RECOMMEND COOPERATION WITH DG APPEAL FOR PROMPT PAYMENT TO THEIR CAPITALS. END FYI)

4. 1972 EXPERIENCE SHOWED ZERO END- OF- MONTH BALANCE IN ADMINISTRATIVE FUND DURING FIVE MONTHS, WITH DRAW- DOWNS ON WCF AT ENDS THOSE MONTHS IN AMOUNTS SHOWN BELOW:

FEBRUARY	-	\$327,000
APRIL	-	\$452,000
MAY	-	\$720,000
JUNE	-	\$257,000
NOVEMBER	-	\$162,000

HOWEVER, WORST PERIODS WITH RESPECT CASH FLOW FREQUENTLY COME AT OTHER THAN END OF MONTH. ANALYSIS OF TWICE- WEEKLY COMPUTER REPORTS OF CASH BALANCES BY FUND FOR WORST CASES IN EACH MONTH SHOWED SOME DRAW- DOWNS ON WCF AT SOME POINT DURING EIGHT MONTHS OF 1972, WITH MINIMUM WCF BALANCES AS FOLLOWS:

APRIL	-	\$1,384,000
MAY	-	\$ 217,000

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JUNE	-	\$ 133,000
JULY	-	\$ (114,000)

JULY LOW POINT OCCURRED EARLY IN MONTH, PRIOR TO RECEIPT OF US CONTRIBUTION, AND RESULTED IN TOTAL DEPLETION OF WCF WITH CASH REQUIREMENTS COVERD BY IMPROMTEAU (AND NOMINALLY ILLEGAL UNDER FINANCIAL REGULATIONS) BORROWING FROM GENERAL FUND, WHICH FINANCES TA PROGRAM. AGENCY FEELS THAT ANY REPETITION LATTER PROCESS WOULD INVITE ATTACK ON SECRETARIAT BY LDC' S, AS IN SPITE OF LACK OF JUSTIFICATION FOR THEIR POSITION, THEY WOULD SEE SUCH

BORROWING AS ATTACK ON RESOURCES AVAILABLE FOR TA PROGRAM.
FYI: AGENCY B& F DIRECTOR ENNOR (US) STATED THAT AT ONE POINT,
FOR TWO DAYS IN EARLY JUNE, NON- ADVICE OF DEPOSIT MADE IN NEW
YORK SHOWED AGENCY WITH BOOK DEFICIT IN ADMINISTRATIVE FUND/
WCF IN EXCESS OF \$600,000, WHICH COVERED BY GENERAL FUND
BALANCE WITHOUT SHOWING UP ON RECORD. THIS MIGHT RAISE STORM
AMONG LDC' S IF PUBLICIZED. END FYI.

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INRE-00 IOE-00 /151 W

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5. PROJECTED SITUATION IN 1973 IS BETTER THAN IN 1972. END-
OF- MONTH BALANCE PROJECTIONS FOR ALL MONTHS IN YEAR SHOW
CASH BALANCE IN ADMINISTRATIVE FUND; LOWEST LEVELS ARE \$324,000
IN FEBRUARY AND \$27,000 IN DECEMBER. PROJECTED WORST- CASE
AT OTHER THAN END OF MONTH SHOWS NO WORSE THAN \$1.5- MILLION
DRAWDOWN ON WCF FOR PERIOD OF FEW DAYS.

6. PROJECTION FOR 1974 SHOWS GREATEST PROBLEM IN FIRST FOUR
MONTHS, BEFORE BULK OF RECEIPTS FROM 1973 SUPPLEMENTAL AND 1974
ASSESSMENT COME IN. END- OF- MONTH CASH BALANCES IN ADMINISTRATIVE
FUND PROJECTED AS FOLLOWS:

JANUARY	- \$ 249,000
FEBRUARY	- \$(534,000)
MARCH	- \$ 360,000
APRIL	- \$(101,000)

DEFICITS WOULD BE COVERED BY DRAW- DOWNS ON ECF DURING FEBRUARY
AND APRIL. AT OTHER THAN END OF MONTH WORST CASE PERIODS,
AGENCY FEELS THAT WCF LEVEL OF \$2- MILLION WILL PROBABLY
BARELY SUFFICE TO COVER REQUIRED CASH EXPENDITURES.

7. PRIMARY REASONS FOR IMPROVEMENT IN 1973-74 PROJECTIONS

OVER 1972 PROBLEM SITUATION ARE A) COOPERATION OF MAJOR CONTRIB-
UTORS INCLUDING US IN MOVING CONTRIBUTIONS PAYMENTS TO COVER
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CRITICAL CASH SHORTAGE PERIODS OF APRIL- MAY AND OCTOBER-
NOVEMBER; AND B) FACT THAT CHINA ASSESSMENT IS NO LONGER A
CASH- FLOW PROBLEM (SEPTTEL).

8. DG WILL UNDERTAKE CAMPAIGN TO BRING IN PAST- DUE ASSESSMENTS
AT HIGHER THAN NORMAL RATE, TO OBTAIN PLEDGES FROM MAJOR
CONTRIBUTORS, INCLUDING US, TO MAINTAIN IN 1974 SAME SCHEDULE
THEIR PAYMENTS AS IN 1973, AND TO ENCOURAGE ALL OTHER MEMBERS
TO PAY AS PROMPTLY AS POSSIBLE (PARA 3 ABOVE). IF AND
ONLY IF NECESSARY COOPERATION FROM MEMBERS CAN BE OBTAINED,
AND IN VIEW ABOVE PROJECTIONS, DG HAS CONCLUDED THAT NO RPT
NO INCREASE IN PRESENT \$2- MILLION LEVEL OF WCF MUST BE REC-
COMMENDED FOR 1974. HE PLANS ANNOUNCEMENT TO THIS EFFECT AT
A& B COMMITTEE MEETING MAY 8. IN THIS ANNOUNCEMENT, DG WILL STATE
THAT SHOULD WCF BE INSUFFICIENT TO COVER ACTUAL REQUIREMENTS,
HE WILL BORROW MONEY ON COMMERCIAL SHORT- TERM MARKET TO COVER
CASH REQUIREMENTS PENDING PAYMENT OF ASSESSMENTS (SEPTTEL).

9. IN LIGHT OF DG DICISION NOT TO RECOMMEND INCREASE IN WCF,
MISSION FEELS THAT PROBLEM OF AGENCY CASH LIQUIDITY EFFECTIVELY
REMOVED AS MATTER REQUIRING ACTION OF EXTENSIVE DISCUSSION AT
A& B COMMITTEE. ABOVE FEELING IS CONTINGENT, OF COURSE, ON
US ABILITY TO PAY ITS CY 1974 (FY 75) CONTRIBUTION ON SAME
SCHEDULE AS IT PAID IN 1972 AND WILL PAY IN 1973. AT APPROPRIATE
TIME, MISSION WILL SUBMIT REQUEST FOR AUTHORITY TO REPEAT TO
DG US COMMITMENT (REF B) AS TO SCHEDULING OF PAYMENT OF 1973
US CONTRIBUTION FOR 1974 AS WELL.
DECON 5/11/73 PORTER

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